

**MINUTES OF THE
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR
APPROPRIATIONS SUBCOMMITTEE**

Room 210, Senate Building

January 31, 2013

Members Present: Sen. Brian E. Shiozawa, Senate Chairman
Rep. Jim Bird, House Chairman
Rep. Stewart E. Barlow, House Vice Chair
Sen. Wayne A. Harper
Sen. Scott K. Jenkins
Sen. Stuart C. Reid
Rep. Patrice M. Arent
Rep. James A. Dunnigan
Rep. Jeremy A. Peterson
Rep. Val L. Peterson
Rep. Dixon M. Pitcher
Rep. Angela Romero

Members Excused: Rep. V. Lowry Snow

Members Absent: Sen. Curtis S. Bramble
Sen. Gene Davis
Sen. Jerry W. Stevenson
Rep. Ryan D. Wilcox
Rep. Brad R. Wilson

Staff Present: Dr. Andrea Wilko, Chief Economist
Mr. Zackery King, Fiscal Analyst
Ms. Rosemary Young, Committee Secretary

Note: A list of visitors and copy of handouts will be filed with committee minutes.

Sen. Shiozawa called the meeting to order at 8:07 a.m. and invited committee members to introduce themselves.

Labor Commission

Fiscal Analyst, Zackery King, introduced Director Sherrie Hayashi of the Labor Commission and reviewed the Labor Commission Budget Briefs and reminded the committee and others that all materials are available on line by going to the committee on the Legislature home page. Intent language and fee schedule issue briefs were also referred to. It was pointed out that the Uninsured Employers' Fund and the Employers' Reinsurance Fund previously were included in the operational budget for the Labor Commission.

There was discussion as to why workers' compensation coverage waivers must be renewed every year as opposed to the previous three-year cycle. Ron Dressler, Director of the Division of Industrial Accidents, reviewed the history of the waivers and the need to keep better track of the qualifications of individuals seeking waivers. The purpose of waivers is to provide a safe harbor for the hiring entity of independent contractors. The waiver fees go into the Industrial Accidents Restricted Account which doesn't have a cap and is the source of funding for the requested FY 2013 supplemental increase of \$22,000 and FY 2014 ongoing increase of \$85,000 for a workers' compensation coverage waiver support specialist.

The negative balances showing on a line item on the Uninsured Employers' Fund and on the Employers' Reinsurance Fund were questioned. David Lamb, Director of Administrative Services, responded that investments are under the control of the treasurer.

Director Hayashi, through a handout and a power-point presentation, reviewed the commission's six divisions, overall budget, innovations and operational efficiencies, and FY 2014 requests:

\$86,600 ongoing General Fund for an elevator inspector, 1 FTE

\$85,000 IARA Restricted Fund for a workers comp coverage waiver support specialist, 1 FTE

The funding for these two positions comes from fees, so they will essentially pay for themselves.

FY 2013 one-time supplemental requests are:

\$22,000 IARA Restricted Fund for a workers comp coverage waiver support specialist, 1 FTE, to start when the session ends rather than waiting until July 1

\$49,000 one-time General Fund for purchase of five vehicles using matching funds from federal grants

There was discussion about the number of cars in the fleet and how they are used. Sharing a vehicle results in inefficient use of inspectors' time.

There are four restricted funds related to Workman's Compensation Insurance, and the amounts in each were reported. Rep. Dunnigan answered questions relating to uninsured employers and how claims are handled for injuries sustained by employees who are not covered. The Uninsured Employers' Fund can be used to pay for such injuries, but repayment from the employer is sought. Ron Dressler reported that at least 50 % of the time some or all of the money is recovered.

Tax Commission

Analyst King invited Barry Conover, Executive Director, State Tax Commission, and Julie Alsop, Budget Director, to the speakers table. Also Bruce Johnson, Chairman of the Tax

Commission, came forward. The Analyst reviewed the four budget briefs associated with the Tax Commission: Tax Administration, Liquor Profit Distribution, License Plates Production, and Rural Health Care Facilities Distribution. Two Issue Briefs dealing with the FY 2014 fee schedule and previous intent language were also pointed out. All materials may be accessed on line by going to the Legislature home page and this committee. It was pointed out that HB 116 and HB 469 from the 2011 General Session concerning immigration are law but remain unfunded, therefore further action needs to be taken. There was discussion as to what the requested funds for HB 116 and HB 469 are for. The bills create a new class of worker which is not recognized by federal law at this time.

Julie Alsop explained the Motor Vehicle Transaction fee which is a shared fee by the Tax Commission and the counties which they pay to each other for doing the other's half of the transaction. The fee is tied to the consumer price index.

Analyst King explained that most changes in the fee schedule are not actual changes in fee amounts but modification of fee names or combining or separating of fees to align fees more clearly with statute.

Barry Conover, Executive Director, State Tax Commission, reminded the committee that the tax commission is not simple just like the tax return is not simple. The commission collected over \$6.8 billion in state funds in FY 2012 which is approximately 50% of the state budget. The source and distribution of the funds was explained. It was pointed out that the motor fuel tax revenue has decreased due to cleaner fuels and vehicles getting better mileage. It was also noted that the tax commission touches the lives of more citizens more often than any other state agency, therefore the commission takes its mission to collect revenue for the state and local governments and to equitably administer tax and assigned motor vehicle laws very seriously. The commission is organized into six functional divisions and has 748 employees. The commission is being audited next month by the IRS.

One of the functions of the Executive Director is to collect and distribute local revenues amounting to \$1.2 billion which is a complicated process. Another function is to investigate criminal tax evasion. The Auditing Department seeks to make compliance easier and evasion harder. Audits are looked at as training for the tax payer to help with compliance as well as assessment. Last year about \$120 million was identified in audit assessments. Through anonymous surveys the commission has found that sales tax audit satisfaction is 4.5 out of 5.

There was discussion about uncollected internet taxes. Bruce Johnson, Tax Commission Chairman, reported that it is estimated that over \$100 million is being lost through loss of taxes on internet sales. The Chairman also explained that the Supreme Court has said that if there is a physical presence of an online "store" in a state, sales taxes are due to that state. If there is no

physical presence, they are not required to collect sales tax for that state. The tax is still due, but there is very little compliance.

The property tax division deals with 500 different taxing entities from cities to cemetery districts to school districts. About 10,000 hours of training to local governments is provided. About 1.2 million parcels of property are valued statewide.

The motor vehicle division registers over 2.7 million vehicles each year. On line registration in Utah is the highest in the nation at 54% which provides a great savings.

The commission supports the Governor's budget and the request for an administrative law judge. Chairman Johnson addressed the subject of property values over the last five years. From 2000 to 2007 appeals filed ranged from 1600 to 1900. In 2008 they went up to 2900, and in 2009 over 4000. Obviously appeals have gone up significantly. Taxpayers are waiting over a year for their cases to be resolved.

Director Conover emphasized the great work done in the last six years in system modernization and process improvement and requests passing of the intent language allowing the use of nonlapsing funds to continue this work.

MOTION: Rep. Barlow moved to adjourn. The motion passed unanimously with Sen. Jenkins, Sen. Reid, and Rep. Dunnigan absent for the vote.

Sen. Shiozawa adjourned the meeting at 9:52 a.m.

Sen. Brian E. Shiozawa, Chair

Rep. Jim Bird, Chair